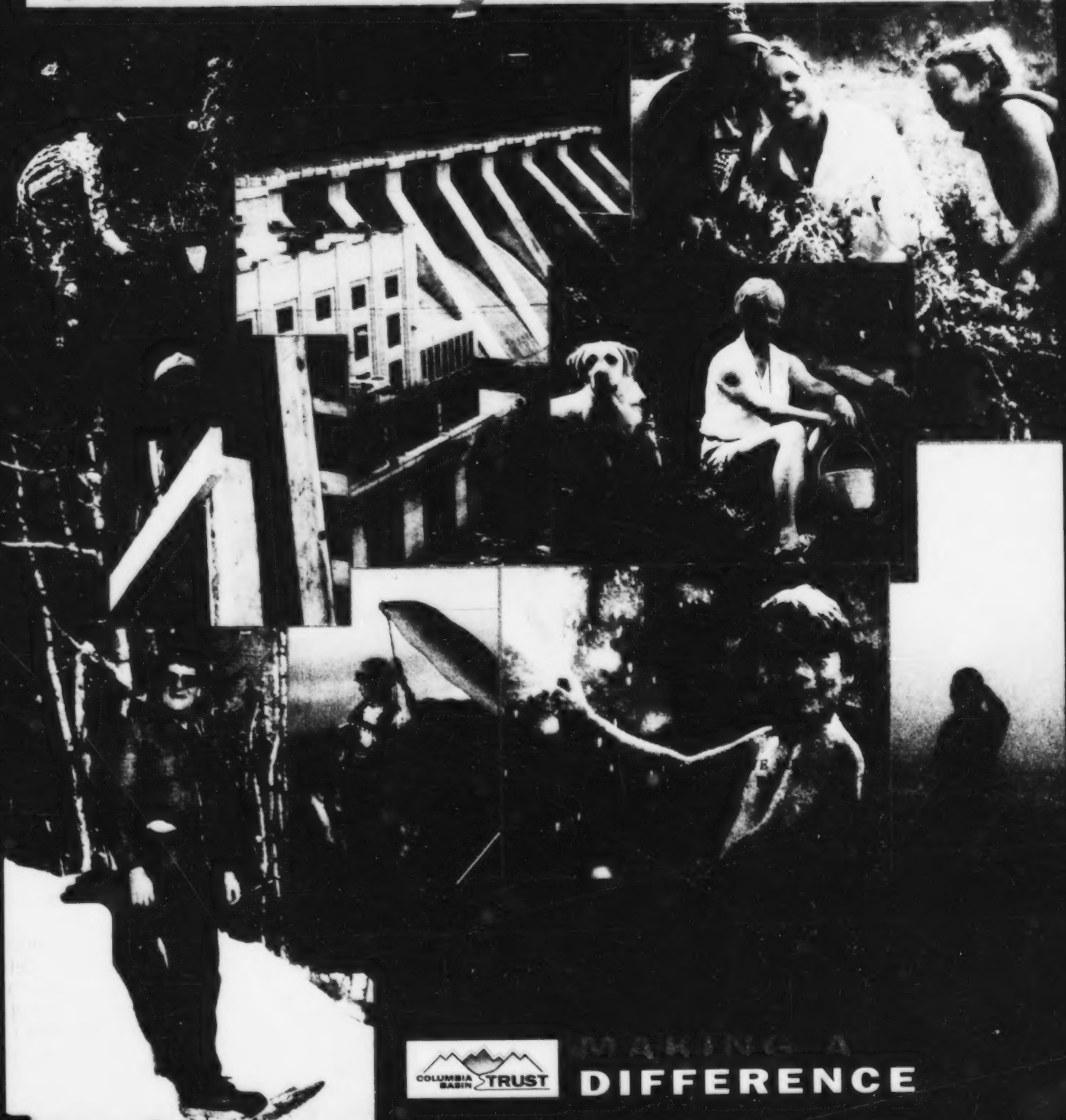


**annual report
financial
review**

2000
COLUMBIA BASIN TRUST



**MAKING A
DIFFERENCE**

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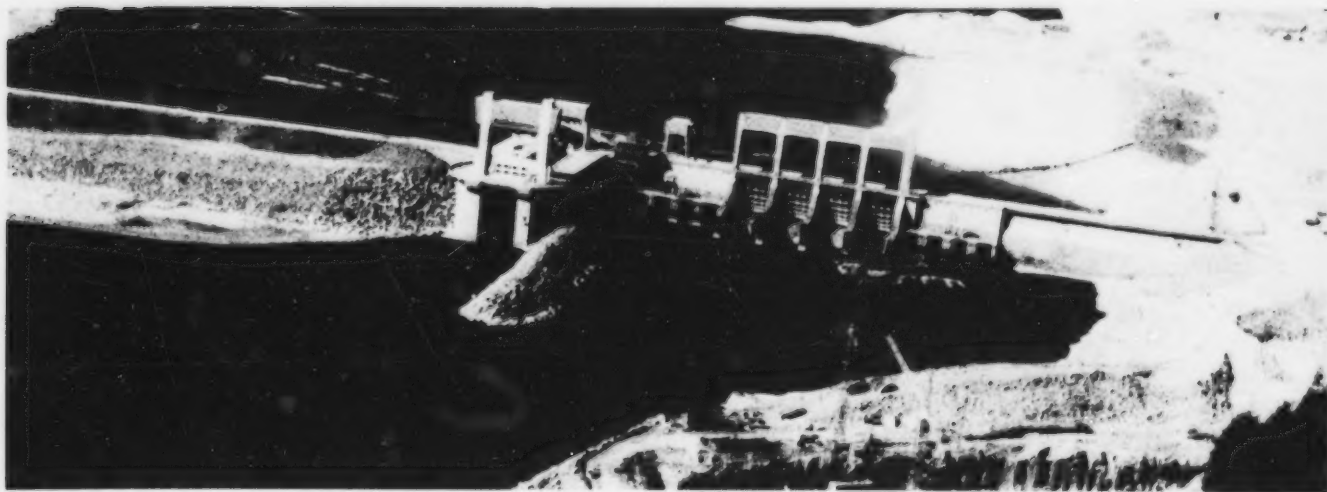
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MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING HIGHLIGHTS

In the summer of 1997 the Columbia Basin Management Plan was created. In 1999 a framework was established for the investment and spending programs of the Trust. Over the past year this framework has provided the basis for the placement of significant amounts of investment capital and an acceleration in the return of benefits to the residents of the basin.

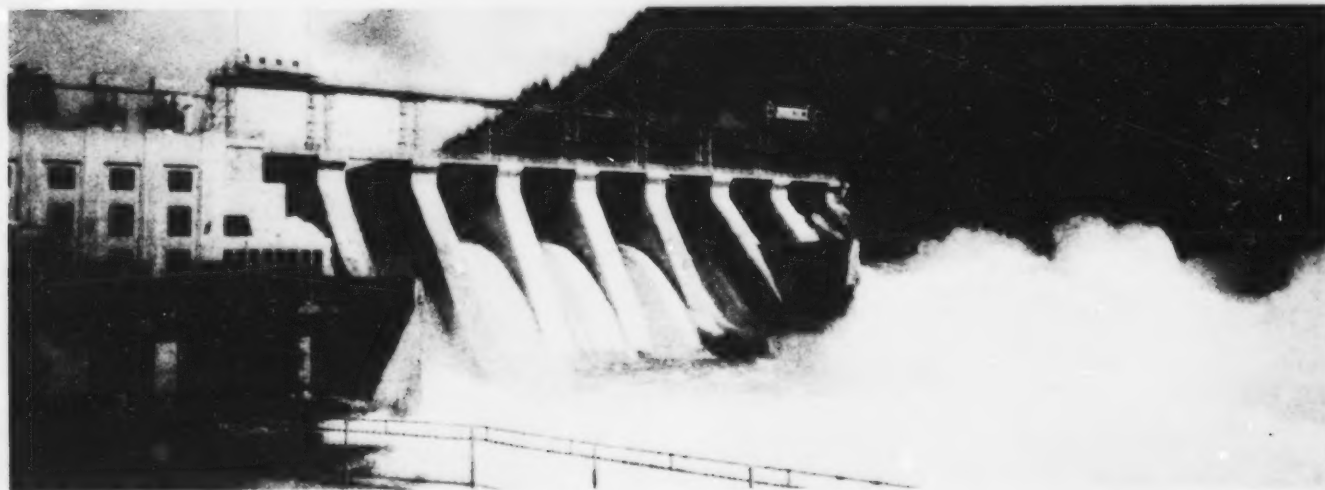
Construction activity on the Keenleyside powerplant continued in the year with significant progress being made on the earthwork and excavation components of the project. Work completed to date is on schedule and it is expected that the project will be completed on time and within budget. After successfully negotiating investment terms, the Trust advanced funds to the Golden Peaks Partnership to finance the development of the Kicking Horse Mountain resort in Golden, B.C. The St. Eugene Mission golf course reached the final stages of completion by the end of the fiscal year and was open for business in May, 2000. The Trust's financial support of Heatwave Drying Systems has allowed them to close their first sale of equipment to an international food company.

The establishment of a loan syndication program with the financial institutions in the basin has been a significant milestone for the Trust. This initiative will provide much needed liquidity to the commercial lending marketplace in the basin. By combining efforts with other financial institutions in the region, capital for expanding businesses will immediately become available at attractive

commercial rates. The risk of default to any one organization is reduced through such cooperative arrangements.

Significant advances in the delivery of benefits occurred in the year. In excess of \$3 million in program funds were dispersed in the year. Virtually all areas of the social, economic and environmental components of the Management Plan received funding. The diversity of the program activity is impressive. The local government initiatives program provided funding to smaller regions and allowed them to allocate such funds using a community decision making process. Continued funding of cultural programs assisted a large number of events in the arts community in the basin. The securement and preservation of critical wildlife habitat was another accomplishment in the year.

The Trust's growth in size continued in the year with total assets increasing by 24% to \$272,627,480. Additional endowment capital of \$26,565,717 provided the financing for this growth. The Trust's total investments increased by \$25,237,221 or 16% to \$179,005,560. The composition of total investments changed with a reallocation of capital out of deposits and securities and into business loans, venture capital and real estate projects. Total revenue was marginally higher in 2000 at \$5,929,083 compared to \$5,746,943 in 1999. Power project income increased by 16% from \$1,091,559 in 1999 to \$1,265,776 in 2000. Operation and program development expenses increased slightly by 8% to \$1,812,198 in 2000. The growth in the benefits delivered was evident with Spending program disbursements increasing to \$3,173,506 in 2000 compared to \$1,432,825 in 1999.



MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT PROGRAM OVERVIEW

Site preparation for the Keenleyside powerplant began in February, 1999 and construction began in March, 1999. The preliminary excavation work and the first stages of the concrete work were completed in the year. The level of activity will continue to increase over the next two years in order to finish the project by the end of 2002. Upstream channel excavation work will take place next year in addition to the installation of the powerhouse mechanical equipment. The upgrade of the Brilliant dam and associated site work is progressing on schedule. Upgrades and repairs to the first turbine unit were started in the year and should be finished within the next twelve months. Life extension and upgrade work on a second unit is planned for later in fiscal 2001.

The Kicking Horse Mountain resort is a luxury four-season mountain resort that is based around the development of a new alpine ski resort in Golden, B.C. The project involves transforming the existing ski facility into a first class recreational destination that features a gondola, tea-house restaurant, premier hotel accommodations and a variety of real estate properties. Plans are in place for the creation of a \$200 million dollar ski village over the next ten years. The Trust provided capital to the developers of this project in the form of participating, convertible debt. The St. Eugene Mission resort is an international destina-

tion resort that will be comprised of a hotel, golf course and casino. The 18 hole championship golf course was substantially complete in the spring of 2000 and commenced operations on May 21, 2000. The Trust financed the construction of the golf course and associated facilities. Financing for the hotel and casino components of the resort are currently being negotiated.

Using innovative technology, Heatwave Drying Systems is a company that invented a new way of drying wood more efficiently and naturally. Through the use of radio frequency vacuum kilns and a carefully controlled environment, drying times are dramatically shortened, energy efficiency is greatly improved and a high quality product is produced. The Trust provided start-up venture capital financing to support further development of the technology and the marketing efforts of the company.

By working with the credit unions in the basin, the Trust established a loan syndication program to provide capital for expanding businesses and new commercial projects. This injection of funds into the marketplace will provide an additional source of capital for organizations that want to expand their activities in the basin. This will provide a much needed stimulus to the economy in the region. Through the Regional Lending Program with the Community Futures Development Corporations, an additional \$668,951 was lent to small businesses who may not have access to financing from traditional sources.



MANAGEMENT DISCUSSION AND ANALYSIS

SPENDING PROGRAM OVERVIEW

With the framework for the delivery of benefits in place, the Trust was able to move closer to its target of \$3.75 million in program activity each year. A total of \$3.1 million in benefits was returned to basin residents and a commitment for a further \$.5 million was in place at yearend. Transfers to the regional districts in the basin provided these areas with access to funds for projects in immediate need of funding. Local decision making in the allocation of these funds was an integral part of this arrangement. Working with the Land Conservancy of B.C. the Trust was successful in securing critical wildlife habitat in the Columbia Basin Region. Considerable progress was also made in the delivery of benefits in the social, economic and cultural areas of the spending program.

CAPITAL STRUCTURE AND LIQUIDITY

The Trust's endowment capital increased by \$26,565,717 to \$139,021,159 in the year. Additional power project financing from the Province of BC accounted for the majority of this increase. Long term debt increased by \$25,802,993 to \$130,039,912 as the advance from Columbia Power Corporation increased by \$26,270,709. The debt on the Brilliant dam was reduced by \$467,716 in the year. The Trust's capital structure remains secure with sufficient financial resources available to support its ongoing investment and spending program activities.



COLUMBIA BASIN TRUST
CONSOLIDATED FINANCIAL STATEMENTS
AS AT MARCH 31, 2000

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RESPONSIBILITY FOR FINANCIAL REPORTING

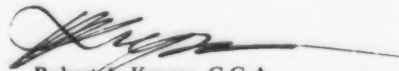
Management is responsible for the preparation of the accompanying consolidated financial statements and all of the information contained in the Annual Report. The financial statements have been prepared in accordance with generally accepted accounting principles and include amounts that are based on estimates and judgements. Management believes that the financial statements fairly present the Trust's consolidated financial position and results of operations. The integrity of the information presented in the financial statements, including estimates and judgements relating to matters not concluded by fiscal year end, is the responsibility of management. The financial statements have been approved on behalf of the Trust's Board of Directors by the Board's Executive Committee.

Management has established and maintained appropriate systems of internal control including policies and procedures which are designed to provide reasonable assurance that the Trust's assets are safeguarded and that reliable financial records are maintained to form a proper basis for preparation of financial statements.

The independent external auditors, Yule & Associates, Chartered Accountants, have been appointed by the Trust's Board of Directors to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, the Trust's financial position, results of operations, changes in net assets and cash flows in conformity with generally accepted accounting principles. The report of Yule & Associates, Chartered Accountants is included below and outlines the scope of their examination and their opinion on the consolidated financial statements.



Don Johnston
Chief Executive Officer



Robert A. Kryzac, C.G.A.
Chief Financial Officer

AUDITOR'S REPORT

To the Directors of Columbia Basin Trust:

To the Minister of Agriculture and Food:

We have audited the consolidated statement of financial position of Columbia Basin Trust as at March 31, 2000 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Columbia Basin Trust as at March 31, 2000 and the results of its operations, changes in its net assets and cash flows for the year then ended in accordance with generally accepted accounting principles.

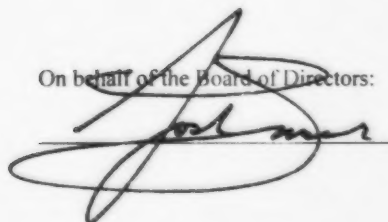
Castlegar, BC
May 31, 2000

Yule + Associates
CHARTERED ACCOUNTANTS

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2000

	<u>2000</u>	<u>1999</u>
ASSETS		
CURRENT		
Cash	\$ 2,102,734	\$ 1,467,890
Receivable from Columbia Power Corporation	83,718	78,291
Accrued investment income	1,220,634	1,032,233
Unbilled power project revenue	<u>2,627,302</u>	<u>2,518,639</u>
	<u>6,034,388</u>	<u>5,097,053</u>
INVESTMENTS		
Deposits and securities (Note 3)	47,594,446	55,645,007
Business loans (Note 4)	3,026,388	987,563
Venture capital loans (Note 5)	8,110,687	682,496
Power projects (Note 6)	108,475,717	84,901,854
Power sales right (Note 12)	11,376,000	11,376,000
Real estate projects (Note 8)	<u>422,322</u>	<u>175,419</u>
	<u>179,005,560</u>	<u>153,768,339</u>
OTHER		
Commitment receivable from Province of B.C. (Note 9)	83,751,621	57,480,912
Deferred amounts (Note 7)	<u>3,835,911</u>	<u>3,341,742</u>
	<u>87,587,532</u>	<u>60,822,654</u>
	<u>\$ 272,627,480</u>	<u>\$ 219,688,046</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,622,864	\$ 1,073,362
B.C. corporation capital tax payable (Note 10)	84,060	93,067
Accrued interest expense	1,391,770	1,400,670
Non-recourse debt of joint venture due within one year (Note 11)	<u>467,715</u>	<u>428,586</u>
	<u>3,566,409</u>	<u>2,995,685</u>
LONG TERM DEBT		
Non-recourse debt of joint venture (Note 11)	46,288,291	46,756,007
Advance from Columbia Power Corporation (Note 9)	<u>83,751,621</u>	<u>57,480,912</u>
	<u>130,039,912</u>	<u>104,236,919</u>
ENDOWMENT CAPITAL		
Restricted to power project investment (Note 16)	82,324,348	56,532,799
Restricted to non-power investment (Note 16)	<u>47,713,282</u>	<u>46,915,715</u>
	130,037,630	103,448,514
Restricted to Spending Program (Note 16)	<u>8,983,529</u>	<u>9,006,928</u>
	<u>139,021,159</u>	<u>112,455,442</u>
	<u>\$ 272,627,480</u>	<u>\$ 219,688,046</u>

On behalf of the Board of Directors:

 Chair

 Vice-chair

The accompanying notes are an integral part of this consolidated statement.

**COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDING MARCH 31, 2000**

	<u>2000</u>	<u>1999</u>
REVENUES		
Net investment income		
Deposits and securities (Note 3)	\$ 2,553,880	\$ 2,647,973
Business loans (Note 4)	102,231	7,411
Power projects (Note 6)	1,265,776	1,091,559
Real estate	<u>7,196</u>	<u>-</u>
	3,929,083	3,746,943
Contribution		
B.C. operating expense and development program benefit (Note 1(b))	<u>2,000,000</u>	<u>2,000,000</u>
	<u>5,929,083</u>	<u>5,746,943</u>
EXPENSES		
Operations and program development		
Public consultation	6,930	11,299
Policy and planning consultants fees	34,651	38,288
Advertising and printing	95,143	74,117
Board and committee remuneration (Note 17)	174,012	196,349
Board and committee travel and meetings	89,034	103,639
Staff remuneration	732,515	704,791
Staff recruitment and development	60,931	30,481
Administrative support fees	2,772	83,463
Professional fees	53,120	63,790
Corporate business travel and meetings	137,532	104,283
Computer system	139,231	35,473
Office and general	161,127	127,883
Amortization of Trust office assets	<u>125,200</u>	<u>99,000</u>
	1,812,198	1,672,856
Investment program development costs (Note 19)	648,371	122,956
Spending program disbursements (Note 19)	<u>3,173,506</u>	<u>1,432,825</u>
	<u>5,634,075</u>	<u>3,228,637</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 295,008</u>	<u>\$ 2,518,306</u>

The accompanying notes are an integral part of this consolidated statement.

3.



COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDING MARCH 31, 2000

	Power Project Investment Capital	Non-Power Investment Capital	Spending Program	2000	1999
	(Restricted)	(Restricted)	(Restricted)		
NET ASSETS, beginning of year	\$ 56,532,799	\$ 46,915,715	\$ 9,006,928	\$ 112,455,442	\$ 95,503,956
Power project financing earned from the Province of B.C.	26,270,709	-	-	26,270,709	14,433,180
Excess of current year's revenues over expenditures	-	-	295,008	295,008	2,518,306
Additional power project cash distributions available for the spending program (Note 16(d))	(479,160)	-	479,160	-	-
Minimum reinvestment required to maintain endowment capital (Note 16(d))	-	797,567	(797,567)	-	-
NET ASSETS, end of year	<u>\$ 82,324,348</u>	<u>\$ 47,713,282</u>	<u>\$ 8,983,529</u>	<u>\$ 139,021,159</u>	<u>\$ 112,455,442</u>

The accompanying notes are an integral part of this consolidated statement.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING MARCH 31, 2000

	<u>2000</u>	<u>1999</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from investment deposits and securities income	\$ 2,315,519	\$ 2,228,101
Cash received from business loan income	140,668	15,378
Cash received from rental income	23,750	-
Cash generated by power project joint venture and distributed	1,759,073	1,425,000
Cash generated by power project joint venture and not distributed	1,204,831	160,374
Cash received from B.C. operating and development program benefit	2,000,000	2,000,000
Cash paid for operating expenses	(1,691,951)	(1,524,905)
Cash paid for spending program disbursements	(3,173,506)	(1,432,825)
Cash paid for investment program development costs	(111)	(122,956)
Operating advances recovered from CPC	(5,427)	19,130
	<u>2,572,846</u>	<u>2,767,297</u>
CASH FLOWS APPLIED TO INVESTING ACTIVITIES		
Investment in power project under development	(23,185,417)	(9,869,551)
Capital improvement at operating power project	(1,595,448)	(2,826,827)
Investment in deferred power project costs	(1,126,016)	(585,206)
Disposal (purchase) of investment deposits and securities	8,050,561	(2,290,956)
Investment in venture capital loans	(7,404,309)	(682,486)
Investment in business loans	(2,064,717)	(987,563)
Investment in real estate	(266,178)	(175,429)
Purchase of Trust office assets	(188,600)	(48,714)
	<u>(27,780,124)</u>	<u>(17,466,732)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term advance from Columbia Power Corporation	26,270,709	14,433,181
Repayment of non-recourse debt	(428,587)	(392,733)
	<u>25,842,122</u>	<u>14,040,448</u>
INCREASE (DECREASE) IN CASH	634,844	(658,987)
CASH, beginning of period	<u>1,467,890</u>	<u>2,126,877</u>
CASH, end of period	<u>\$ 2,102,734</u>	<u>\$ 1,467,890</u>

The accompanying notes are an integral part of this consolidated statement.

5.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF COLUMBIA BASIN TRUST

(a) Columbia Basin Trust Act (Bill 7-1995)

The Trust is a not-for-profit corporation established on July 6, 1995 when Royal Assent was given to the Columbia Basin Trust Act, an Act of the Province of British Columbia. The Act states that the Trust is not an agent of the Province, has the power and capacity of a natural person and provides for the Trust to be controlled by a regional board of directors. The majority of the board is appointed by local governments in the Trust's region of operations rather than by the Province. The Directors have been given the powers and the responsibility to manage or supervise the management of the Trust's affairs. The sole share of the Trust is to be held by the Minister of Finance and Corporate Relations on behalf of the Province.

Section 4 of the Act states that the purpose of the Trust is to invest, spend and otherwise manage the Regional Allocation and the Trust's other assets, including any assets that may be transferred to it, for the ongoing economic, environmental and social benefit of the region including, without limitation, for

- (i) the social well being of the residents of the Region;
- (ii) the preservation, protection and enhancement of the environment of the Region;
- (iii) the economic development of the Region.

(b) Funding of Columbia Basin Trust

Under the Agreement of July 27, 1995 between the Province and the Trust, the Province will pay the Trust, for purposes of paying operating expenses and for purposes consistent with Section 4 of the Columbia Basin Trust Act, the sum of \$2 million annually through the year 2010 (a total commitment of \$32 million). On April 1, 1996, the Province made a regional benefit payment to the Trust of \$45 million.

The Province will pay the Trust, as part of the Regional Allocation and as a capital contribution for the purpose of investing in Trust subsidiaries to pay capital costs of power projects, the sum of \$ 250 million plus half of the Expansion Rights Amount (expansion rights pertaining to the existing Brilliant and Waneta dams' power generation capability) as follows:

- (i) by payments of \$ 50 million on April 1st of each of the years 2001 through 2005 inclusive, and
- (ii) an additional payment on April 1, 2000 equal to half the book value of the Expansion Rights Amount (the book value of the Expansion Rights Amount as at March 31, 1997 was \$ 51,850,000).

(c) Power Project Investments

(i) Structure and Financing

In the Agreement of July 27, 1995 between the Province and the Trust the Agreement provides that the Trust's power project activities are to be conducted by subsidiaries of the Trust. These subsidiaries are to participate in power projects through unincorporated joint ventures.

The Trust's capital contributions to power projects will be funded from the Power Project Construction Financing payments from the Province. Under the Agreement the Province also covenants to invest in Columbia Power Corporation (CPC), as an equity payment for shares for the purpose of paying capital costs of the power projects, \$ 250 million less half of the Expansion Rights Amount as follows:

- (A) by payments to CPC of \$ 50 million on April 1st of each of the years 1996 through 2000 inclusive, subject to
- (B) a reduction in the April 1, 2000 payment equal to half the book value of the Expansion Rights Amount.

(ii) Trust Power Project Investment Subsidiaries

CBT Power Corp. was incorporated on October 25, 1995 under the Company Act of British Columbia and is a wholly owned and controlled subsidiary of the Trust. The corporation's purpose is to participate in the Power Project Planning and Columbia Basin Power Company joint ventures.

CBT Arrow Lakes Power Development Corp. was incorporated on April 9, 1996 under the Company Act of British Columbia and is a wholly owned and controlled subsidiary of the Trust. The corporation's purpose is to participate in the Arrow Lakes Power Company joint venture.

CBT Thermal Energy Corp. was incorporated on December 9, 1997 under the Company Act of British Columbia and is a wholly owned and controlled subsidiary of the Trust. The corporation's purpose is to participate in the Columbia Thermal Power Company joint venture.

(iii) Power Project Planning Joint Venture

On February 28, 1996, CBT Power Corp. and Columbia Power Corporation (CPC) entered into the Power Project Planning Joint Venture (PPPJV) Agreement. Under this Agreement, the parties formed a not-for-profit unincorporated joint venture, primarily for the purpose of assessing and determining the feasibility of power projects detailed in the Agreement of July 27, 1995 between the Province and the Trust. The Venturers each hold a 50% interest in PPPJV and direct its activities through a Management Committee with an equal number of members appointed by each Venturer.

(d) Brilliant Dam Power Project Investment

The Brilliant Power Funding Corporation (BPFC) was incorporated on April 26, 1996 under the Company Act of British Columbia and was established to hold legal title to the Brilliant Dam assets as well as to issue Brilliant Project Bonds as agent and nominee for CBT Power Corp. (CBT Power) and Columbia Power Corporation (CPC). The rights to the use and enjoyment of the Brilliant Dam assets have been assigned by BPFC to the Columbia Basin Power Company (CBPC), a joint venture of CBT Power and CPC.

On May 3, 1996, CBT Power and CPC entered into the Columbia Basin Power Company Joint Venture Agreement (the Agreement). Under this Agreement, the parties formed an unincorporated joint venture for the purpose of operating the Brilliant Dam assets. The Venturers each hold a 50 % interest in CBPC and direct its activities through a Management Committee with an equal number of members appointed by each Venturer.

(e) Keenleyside Powerplant Project Investment

The Arrow Lakes Power Development Corporation (ALPDC) was incorporated on June 10, 1998 under the Company Act of British Columbia and was established to hold legal title to the Keenleyside powerplant and transmission assets as agent and nominee for CBT Arrow Lakes Power Development Corp. (CBT Arrow Lakes) and Columbia Power Corporation (CPC). The rights to the use and enjoyment of the Keenleyside powerplant and transmission assets have been assigned by ALPDC to the Arrow Lakes Power Company (ALPC), a joint venture of CBT Arrow Lakes and CPC.

On August 28, 1998, CBT Arrow Lakes and CPC entered into the Arrow Lakes Power Company Joint Venture Agreement. Under this Agreement, the parties formed an unincorporated joint venture for the purpose of the construction of a powerplant at the Hugh Keenleyside Dam and a transmission line from the powerplant to the Selkirk substation. The Venturers each hold a 50% interest in ALPC and direct its activities through a Management Committee with an equal number of members appointed by each Venturer.

(f) Thermal Power Project Investments

On June 30, 1998, CBT Thermal Energy Corp. (CBT Thermal Energy) and Columbia Power Corporation (CPC) entered into the Columbia Thermal Power Company Joint Venture Agreement. Under this Agreement the parties formed an unincorporated joint venture, the Columbia Thermal Power Company (CTPC), for the purpose of investing in thermal power projects in the Columbia Basin region. The Venturers each hold a 50% interest in CTPC and direct its activities through a Management Committee with an equal number of members appointed by each Venturer.

(g) Non-Power Investment Overview

(i) CBT Small Business Investment Corp.

CBT Small Business Investment Corp. (CBT SBI), was incorporated on April 9, 1996 under the Company Act of British Columbia and is a wholly owned and controlled subsidiary of the Trust. On April 1, 1999, CBT SBI entered into the Columbia Basin Regional Lending Agreement (the Regional Agreement) with the Community Futures Development Corporations (CFDCs) of Trail, Fraser Fort George, Revelstoke, the South-East Region of B.C. and Central Kootenay.

Under the Regional Agreement the Trust contributed \$2,500,00 in lending capital to CBT SBI to be allocated to the CFDCs for the purpose of providing small business loans. This is in addition to \$988,684 provided to the CFDCs by CBT SBI under an agreement known as the Regional Lending Pilot Project Agreement made between CBT SBI and the CFDCs as of February 15, 1998.

In May, 1999, CBT SBI entered into a syndicated lending program with the financial institutions in the Columbia Basin Region in order to provide liquidity to the lending marketplace within the basin. This will allow these institutions to be involved in commercial development within their market areas. CBT SBI will participate with these institutions in providing debt financing on larger commercial projects.

(ii) CBT St. Eugene Hotel/Golf Corp.

CBT St. Eugene Hotel/Golf Corp. (CBT St. Eugene) was incorporated on June 23, 1998 under the Company Act of British Columbia and is a wholly owned and controlled subsidiary of the Trust. CBT St. Eugene was established for the purpose of investing in the St. Eugene Mission Resort (SEM). SEM is a proposed destination resort development that includes a hotel, golf course and casino. CBT St. Eugene is participating in the financing of the hotel and golf course components of the resort.

(iii) CBT Real Estate Investment Corp.

CBT Real Estate Investment Corp. (CBT Real Estate) was incorporated on December 23, 1998 under the Company Act of British Columbia and is a wholly owned and controlled subsidiary of the Trust. CBT Real Estate was established for the purpose of placing funds in real estate investments in the Columbia Basin Region. On October 1, 1998 CBT Real Estate purchased the Brilliant School property near Castlegar in order to develop the structure into a commercial office facility. On October 29, 1999 CBT Real Estate purchased a vacant lot in the City of Castlegar and commenced construction of a commercial office building on this lot in June, 2000.

(iv) CBT Golden Peaks Development Corp.

CBT Golden Peaks Development Corp. (CBT Golden Peaks) was incorporated on April 26, 1999 under the Company Act of British Columbia and is a wholly owned and controlled subsidiary of the Trust. CBT Golden Peaks was established for the purpose of investing in the Kicking Horse Mountain Resort (Kicking Horse). Kicking Horse is an alpine ski resort that will feature a gondola, teahouse restaurant and the development of hotel and recreational real estate properties at the base of the resort.

(v) **CBT Venture Capital Corp.**

CBT Venture Capital Corp. (CBT Venture Capital) was incorporated on June 24, 1999 under the Company Act of British Columbia and is a wholly owned and controlled subsidiary of the Trust. CBT Venture Capital was established for the purpose of providing seed capital for technology related startup businesses in the Columbia Basin Region.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The accounts of the Trust and its subsidiaries are consolidated in these financial statements. Intercompany balances and transactions have been eliminated.

The interest of the Trust's subsidiaries in power project joint ventures are consolidated by the Trust on a proportionate basis. Under the proportionate consolidation method, the Trust records, on a line-by-line basis within its consolidated financial statements and notes, its proportionate share of the joint ventures' assets, liabilities, revenues, expenses and cash flows.

(b) Revenue Recognition

The Trust follows the deferral method of accounting for contributions to the Trust. Endowment contributions (for example, the regional benefit program payment and the power project financing payments) are recognized as direct increases in net assets. Future power project financing payments are recognized as a long-term commitment receivable from the Province to the extent that they have been earned, and based on the criteria that the amount earned can be reasonably estimated and ultimate receipt from the Province is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized in the current year.

(c) Deposits and Securities

Deposits and short-term debt securities held for investment purposes are recorded at cost which approximates market value. If the value of a particular deposit or security held for investment suffers an other than temporary decline in value the carrying value is written down accordingly.

All gains and losses on sales of securities, write-downs to record other than temporary declines in the values of deposits or securities held for investment, and the amortization of discounts or premiums are included in the net investment income from deposits and securities figure in the consolidated statement of operations.

(d) Business loans

Loans are stated net of a reserve for credit losses. A portion of the interest earned on business loans is allocated to this reserve to assist in the coverage of anticipated losses. Interest income is accounted for on the accrual basis and is reported under business loans in the consolidated statement of operations.

(e) Capitalization and Amortization

Capital assets are recorded at cost and are amortized annually at rates calculated to write-off the cost of assets over their estimated useful lives. Amortization begins when assets are placed into service.

(i) Power project

The Brilliant power project (excluding related land) is amortized on a straight-line basis over 60 years consistent with the 60 year term of the WKP Sales Agreement and the revenues provided under the Agreement. Similarly, costs capitalized for improvements or major maintenance expenditures are amortized over 30 years consistent with the revenues provided under the Agreement.

(ii) Real estate

Buildings and improvements - straight line over 30 years

(ii) Trust office

Computer equipment and software - straight line over 3 years

Office furniture & equipment - straight line over 5 years

Leasehold improvements - straight line over 7 years

(f) Deferred Power Project Costs

Costs incurred in determining the feasibility of acquiring power projects or undertaking preliminary development work on power projects are deferred. Deferred power project costs include all costs attributable to a project as well as capitalized interest and taxes.

When a project's acquisition is completed, the deferred acquisition costs of that project form part of the capital cost of that project. Similarly, when a project is developed, the deferred development costs of that project form part of the capital cost of that project. When a project's acquisition or development is abandoned, the costs deferred for that project are expensed in the period in which the project is abandoned.

The appropriateness of deferring a project's costs is considered annually. The annual review considers a number of significant estimates and qualitative factors prior to forming an overall judgement on the project's prospects and the likelihood of cost recovery. When a project's costs exceed those likely to be recovered, the excess costs are expensed.

(g) Deferred Non-Power Investment Costs

Non-power investment costs incurred during the development stage are expensed until the project is considered to be commercially viable, after which costs are deferred or capitalized. A review of the costs expensed in previous years is undertaken when a proposal reaches the project status. The appropriate amount of such costs is capitalized to the project and treated as a cost recovery in the current year. The total historical cost of acquiring or developing a completed asset includes all costs incurred until it is substantially complete and ready for productive use.

During the preacquisition period, such costs are deferred, while after acquisition or placement of the investment, they are capitalized. When a project's acquisition or development is abandoned, the costs deferred for that project are expensed in the period in which the project is abandoned.

(h) Deferred Debt Issue Costs

Expenditures incurred by joint ventures in issuing long-term, non-recourse debt are deferred and amortized on a straight line basis over the term of the related debt.

(i) Taxes

The Trust is exempt from income taxes under paragraph 149 (1) (d) of the Income Tax Act. The Trust is also exempt from Federal large corporations tax under subsection 181.1(3) of the Income Tax Act. The Trust is subject to B.C. corporations capital tax under section 3 (1) of the Corporation Capital Tax Regulation as amended on March 29, 1996.

3. DEPOSITS AND SECURITIES

(a) Investment Deposits and Securities Portfolio (As at March 31, 2000)

<u>Description</u>	<u>Carrying Value</u>	<u>% of Holdings</u>
Issued by Chartered Banks:		
(Bankers acceptances and deposits with maturities up to 3 years)		
C.I.B.C.	\$ 7,361,954	
Toronto-Dominion Bank	5,018,054	
Hong Kong Bank of Canada	4,788,769	
Bank of Nova Scotia	<u>3,838,520</u>	
	<u>21,007,297</u>	44 %

Issued by Credit Unions:

(Deposits with maturities up to 2 years)

Kootenay Savings Credit Union	10,217,305	
Cranbrook Savings Credit Union	4,157,282	
Revelstoke Credit Union	3,725,888	
Castlegar Savings Credit Union	3,512,313	
Columbia Valley Credit Union	2,770,117	
Creston and District Credit Union	1,100,672	
Nelson District Credit Union	1,070,572	
Arrow Credit Union	<u>33,000</u>	
	<u>26,587,149</u>	56 %
	<u>\$ 47,594,446</u>	

(b) Weighted Average Yields by Maturity (As at March 31)

<u>Maturities up to:</u>	<u>2000 Carrying Value</u>	<u>% of Holdings</u>	<u>Yield</u>	<u>1999 Carrying Value</u>	<u>Yield</u>
1 Year	\$ 41,698,664	95 %	5.22 %	\$ 50,946,007	5.16 %
2 Years	736,782	1 %	5.30 %	3,999,000	5.79 %
3 Years	<u>5,159,000</u>	4 %	5.79 %	<u>700,000</u>	5.30 %
	<u>\$ 47,594,446</u>		5.28 %	<u>\$ 55,645,007</u>	5.20 %

(c) Investment Deposits and Securities Income (For the years ended)

	<u>March 31, 2000</u>	<u>March 31, 1999</u>
Income from deposits and securities	\$ 2,696,966	\$ 2,802,765
B.C. corporation capital tax (Note 10)	<u>(143,086)</u>	<u>(154,792)</u>
Net investment income	<u>\$ 2,553,880</u>	<u>\$ 2,647,973</u>
Return on investment deposits and securities	<u>5.22 %</u>	<u>5.35 %</u>

(d) **Restrictions on Deposits and Securities**

\$ 3,018,644 of the \$ 47,594,446 deposits and securities figure is not available to the Trust. This amount includes the Trust's \$ 2,316,644 share of a Debt Service Reserve Fund and \$702,000 share of a segregated Operating Reserve Account required under the terms of joint venture debt financing.

\$ 2,351,554 of the \$ 47,594,446 securities figure represents CBT Small Business Investment Corp.'s capital committed to a small business lending initiative.

The Trust's deposit holdings are not marketable. The Trust, on 90 days written notice, may redeem up to 10 % of deposit placements initially made for a period of one year or longer, without cost or penalty, provided that such redemptions occur only once during a particular deposit's term.

4. BUSINESS LOANS

The Trust's business loans under the Regional Lending Program and the Loan Syndication Program are as follows:

	March 31, 2000	March 31, 1999
Regional Lending Program:		
CFDC of Central Kootenay	\$ 490,568	\$ 476,353
CFDC of Trail	388,520	138,907
CFDC of the South-East Region of B.C.	219,551	5,000
CFDC of Fraser Fort George	243,605	248,779
CFDC of Revelstoke	<u>320,391</u>	<u>124,645</u>
	1,662,635	993,684
Loan Syndication Program	<u>1,395,767</u>	<u>-</u>
	3,058,402	993,684
Less: Loan loss allowance	<u>(32,014)</u>	<u>(6,121)</u>
Business loans	<u>\$ 3,026,388</u>	<u>\$ 987,563</u>
Loan loss allowance:		
Impaired loans	\$ 239,024	\$ -
Less: Where loss is not expected	<u>(239,024)</u>	<u>-</u>
Reserve for specific loans	-	-
General loan loss reserve	<u>32,014</u>	<u>6,121</u>
Loan loss allowance	<u>\$ 32,014</u>	<u>\$ 6,121</u>

As part of the Regional Lending Pilot Project Agreement, Forest Renewal B.C. has provided a contribution of \$125,000 to CBT Small Business Investment Corp. restricted for the coverage of losses on forest sector business loans. Loans were extended to construction, forestry, hospitality and tourism, manufacturing and retail businesses. The rates on these loans ranged from 7.50 % to 10.75 %. Net business loan income includes:

	March 31, 2000	March 31, 1999
Regional Lending Program:		
Business loan interest income	\$ 105,271	\$ 19,203
Less: CFDC loan administration fee	(33,976)	(5,671)
Loan loss provision	<u>(25,893)</u>	<u>(6,121)</u>
Regional lending loan interest income	45,402	7,411

	March 31, 2000	March 31, 1999
Loan Syndication Program:		
Business loan interest income	42,902	-
Fee income	<u>15,000</u>	<u>-</u>
	57,902	-
Less: Loan administration fee	<u>(1,073)</u>	<u>-</u>
Syndication loan income	56,829	-
	<u>56,829</u>	<u>-</u>
Net business loan income	<u>\$ 102,231</u>	<u>\$ 7,411</u>

5. VENTURE CAPITAL LOANS

The Trust has included in its consolidated financial statements and notes the following venture capital loans:

	March 31, 2000	March 31, 1999
CBT St. Eugene Hotel/Golf Corp.	\$ 3,610,795	\$ 400,000
Deferred loan costs	<u>563,166</u>	<u>282,496</u>
	4,173,961	682,496
	-	-
CBT Golden Peaks Development Corp.	2,000,000	-
Deferred loan costs	<u>122,965</u>	<u>-</u>
	2,122,965	-
	-	-
CBT Venture Capital Corp.	1,700,000	-
Deferred loan costs	<u>113,761</u>	<u>-</u>
	1,813,761	-
	<u>-</u>	<u>-</u>
	<u>\$ 8,110,687</u>	<u>\$ 682,496</u>

(a) CBT St. Eugene Hotel/Golf Corp.

The St. Eugene Mission resort is a international destination resort that will be comprised of a hotel, golf course and casino. The golf course was substantially complete in the spring of 2000 and commenced operations on May 21, 2000. CBT St. Eugene Hotel/Golf Corp. (CBT St. Eugene) has committed to advance \$6,000,000 in the form of a 30 year subordinated equity-loan for the purpose of completing the golf course and other portions of the resort infrastructure.

Initially, this loan has been secured by 30 year sub-leases on the golf course lands. The golf course lands are subject to 99 year head leases between the Department of Indian Affairs and the St. Eugene Mission Development Corporation. After providing for maintenance requirements, golf course cash flows will be applied to the CBT St. Eugene equity-loan and the Bands' equity interests. CBT St. Eugene is to receive interest payments of 8% based upon its outstanding loan balances and 50% of any remaining cash flow. When full resort financing is obtained the structure and terms of the equity-loan will change to take into account the new aspects of those arrangements.

(b) CBT Golden Peaks Development Corp.

The Kicking Horse Mountain Resort is a development that is based around the creation of a new alpine ski resort in Golden, B.C. CBT Golden Peaks Development Corp. has committed to advance \$5,000,000 in the form of a 15% ten year subordinated term loan. Annual interest payments are limited to 30% of current fiscal period's earnings, but not less than 7 1/2% per annum. Interest payments may be deferred until December 31, 2001. Payments of interest in excess of 7 1/2% per annum may be deferred subject to senior debt retirement and capital expenditure requirements of the resort. The loan is secured by a second charge on the assets of the resort.

(c) **CBT Venture Capital Corp.**

Using innovative technology, Heatwave Drying Systems Ltd. (Heatwave) is a company that invented a new way of drying wood more efficiently and naturally. CBT Venture Capital Corp. has committed to advance \$3,500,000 to Heatwave in the form of a subordinated equity-loan that is convertible into common shares of the company. While the loan remains unconverted it provides the right to interest payments of up to 7 1/2%, subject to available cash flow.

6. **POWER PROJECTS**

The Trust's power project assets are as follows:

	March 31, 2000	March 31, 1999
Columbia Basin Power Company	\$ 70,134,160	\$ 69,745,714
Arrow Lakes Power Company	<u>38,341,557</u>	<u>15,156,140</u>
	<u>\$ 108,475,717</u>	<u>\$ 84,901,854</u>

(a) **Columbia Basin Power Company and the Columbia Thermal Power Company Joint Ventures**

The Trust has included in its consolidated financial statements and notes the following assets, liabilities, revenues, expenses and cash flows which represent its 50 % interest in the Columbia Basin Power Company and the Columbia Thermal Power Company joint ventures.

	March 31, 2000	March 31, 1999
(i) Financial Position		
Assets		
Plant and equipment (net)	\$ 67,774,851	\$ 66,923,656
Land	2,359,309	2,359,309
Loan receivable	<u>-</u>	<u>462,749</u>
Power project	70,134,160	69,745,714
Current assets	4,488,365	3,494,357
Other assets	<u>3,492,788</u>	<u>3,342,274</u>
	<u>78,115,313</u>	<u>76,582,345</u>
Liabilities		
Long-term debt (non-recourse to the Trust)	(52,276,960)	(50,350,815)
Current liabilities	<u>(3,135,738)</u>	<u>(2,565,438)</u>
	<u>(55,412,698)</u>	<u>(52,916,253)</u>
Equity in Joint Ventures (the Trust's share)	<u>\$ 22,702,615</u>	<u>\$ 23,666,092</u>
(ii) Operating Results (for the years ended)		
Revenues	\$ 10,932,709	\$ 10,333,216
Expenses	<u>(5,290,571)</u>	<u>(4,922,819)</u>
Income from operations	5,642,138	5,410,397
Debt financing expenses	<u>(4,376,362)</u>	<u>(4,318,838)</u>
Net income (the Trust's share)	<u>\$ 1,265,776</u>	<u>\$ 1,091,559</u>

	March 31, 2000	March 31, 1999
(iii) Cash Flows (for the years ended)		
Cash from operations	\$ 2,963,903	\$ 1,591,158
Cash applied to investments	(1,792,949)	(3,161,780)
Cash from financing	1,495,094	3,502,127
Cash distribution (to the Trust)	(1,759,073)	(1,425,000)
Increase in cash	<u>\$ 906,975</u>	<u>\$ 506,505</u>
(iv) Power Project Return on Equity (for the years ended)		
Net power project income (the Trust's share)	<u>\$ 1,265,776</u>	<u>\$ 1,091,559</u>
Power project investment equity (the Trust's share)	<u>\$ 22,702,615</u>	<u>\$ 23,666,092</u>
Return on power project equity (effective annual rate)	<u>5.46 %</u>	<u>4.71 %</u>

(b) Arrow Lakes Power Company Joint Venture

The Trust has included in its consolidated financial statements and notes the following deferred costs which represent its 50 % interest in the Arrow Lakes Power Company Joint Venture.

<u>Expenditure Category</u>	March 31, 2000	March 31, 1999
Project Design and Construction	\$ 31,441,642	\$ 10,193,094
CPC/Trust Management	2,442,629	1,768,777
Land	1,889,184	1,036,954
Environmental Analysis	1,133,952	897,916
Finance/Legal Analysis	898,224	773,098
Socioeconomic Analysis	535,926	486,301
	<u>\$ 38,341,557</u>	<u>\$ 15,156,140</u>

Keenleyside Powerplant Project

The Keenleyside Powerplant Project is a project to install a powerplant at the existing BC Hydro Hugh Keenleyside flood control and storage dam near Castlegar and to construct a 49 km 230 kv transmission line to the BC Hydro substation at Selkirk. The powerplant will consist of two generating units with capacity of approximately 170 MW to be constructed 400 meters downstream of the dam. Water will enter the powerplant via a 1,400 meter approach channel bypassing the existing dam.

Expressions of interest were solicited and received from five Canadian and international engineering, construction and turbine manufacturing consortiums for a design-build contract. From this group three finalists were selected to compete to design and build the project. Each group submitted a fixed price, turn-key design-build proposal. The construction contract for the Keenleyside generation plant was awarded to Peter Kiewit Sons Co. Ltd.

In December 1998, the Arrow Lakes Power Company joint venture entered into a turn-key, design-build contract for approximately \$210 million with Peter Kiewit Sons Co. Ltd. for the construction of the Keenleyside powerplant. The powerplant is scheduled to be completed by the end of 2002. Terms of the contract include performance guarantees and significant liquidated damages for failure to achieve performance guarantees; a contractor bonus for early completion; a milestone schedule and a schedule of payments to the contractor.

Site preparation began in February 1999. Construction of the powerplant commenced in March 1999. Construction is on schedule in accordance with scheduled milestones under the design-build contract.

7. DEFERRED AMOUNTS

The deferred amounts figure includes the following asset categories:

	March 31, 2000	March 31, 1999
Power Project Planning Joint Venture - Deferred Costs	\$ 3,112,659	\$ 2,599,308
Deferred Debt Issue Costs	474,144	492,264
Trust Office Assets	249,108	185,708
Deferred Non-Power Development Costs	-	35,596
Deferred Development Costs	-	28,866
	<u>\$ 3,835,911</u>	<u>\$ 3,341,742</u>

(a) Power Project Planning Joint Venture - Deferred Costs

The deferment of power project costs is based on management's judgement of anticipated future events. A number of significant estimates and qualitative factors have been considered by management in determining the viability of each project. Changes in significant assumptions underlying future cash flow estimates for a project can have a material effect on the economic viability of a project. The Trust has included in its consolidated financial statements and notes the following deferred costs which represent its 50 % interest in the Power Project Planning Joint Venture.

Project	Identification	March 31, 1999	Fiscal 2000 Expenditures	Transfers and write-offs	March 31, 2000
BEP	Brilliant expansion	\$ 949,870	\$ 928,874	\$ -	\$ 1,878,744
WEP	Waneta expansion	696,870	96,873	-	793,743
WUP	Waneta upgrades	333,386	106,786	-	440,172
TPP	Thermal	<u>619,182</u>	<u>125,082</u>	<u>(744,264)</u>	<u>-</u>
		<u>\$ 2,599,308</u>	<u>\$ 1,257,615</u>	<u>\$ (744,264)</u>	<u>\$ 3,112,659</u>

	Project Design	Environmental Analysis	Socioeconomic Analysis	Finance/Legal Analysis	CPC / Trust Management	March 31, 2000
BEP	\$ 512,185	\$ 328,101	\$ 135,745	\$ 68,793	\$ 833,920	\$ 1,878,744
WEP	110,835	450,476	-	-	232,432	793,743
WUP	<u>3,074</u>	<u>26,975</u>	<u>-</u>	<u>150,923</u>	<u>259,200</u>	<u>440,172</u>
	<u>\$ 626,094</u>	<u>\$ 805,552</u>	<u>\$ 135,745</u>	<u>\$ 219,716</u>	<u>\$ 1,325,552</u>	<u>\$ 3,112,659</u>

(i) Brilliant Expansion Project

The Brilliant expansion project is a proposal to install an additional 100 megawatt power generation facility at the existing Brilliant dam. The Venturers own the Brilliant dam and the existing power facility. The Trust's co-venturer Columbia Power Corporation (CPC) paid \$ 26.5 million in 1994 to Cominco Ltd. to purchase the rights to undertake an expansion. The Trust's Agreement with the Province of B.C. provides for CPC to transfer these rights to a joint venture between the Trust and CPC.

The project's construction cost is estimated to be approximately \$ 150 million and will be determined through a competitive design-build process. The project would be financed with a combination of long-term debt and equity consistent with industry practice. The Venturers' equity requirements will be funded by power project financing payments from the Province of B.C.

(ii) Waneta Expansion Project

The Waneta expansion project is a proposal to install an additional 380 megawatt power generation facility at the existing Waneta dam. The Waneta dam is owned by Cominco Ltd. to whom the Trust's co-venturer, Columbia Power Corporation (CPC) paid \$ 25.4 million in 1994 to purchase the rights to undertake an expansion. The Trust's Agreement with the Province of B.C. provides for CPC to transfer these rights to a joint venture between the Trust and CPC.

A Project Approval Certificate application requires additional information to clarify the environmental impacts of the project. The best site for the project can then be selected and the application completed for submission. The additional information is expected to come from a five year environmental study program examining the impact of hydro operations on fish and fish habitat downstream of the Waneta dam.

The project's construction cost is estimated to be approximately \$ 300 million over a four year period. It is projected that construction of the project will follow completion of the Keenleyside Powerplant Project and the Brilliant Expansion Project. The project would be financed with a combination of long-term debt and equity consistent with industry practice. The Venturers' equity requirements will be funded by power project financing payments from the Province of B.C.

(iii) Waneta Upgrades Project

The Waneta upgrades project is a proposal to purchase the estimated 100 megawatts of power entitlements attributable to modifications of the existing power generation facilities at the Waneta dam. Cominco Ltd., the owner of the Waneta dam, has completed the first of four generating unit upgrades and is in the process of obtaining environmental approval for the remaining upgrades.

The project's total construction cost is estimated to be approximately \$ 40 million. The project would be financed with a combination of long-term debt and equity consistent with industry practice. The Venturers' equity requirement will be funded by power project financing payments from the Province of B.C. Significant outstanding project requirements include:

- receiving a Project Approval Certificate (environmental assessment),
- Cominco reaching agreement with B.C. Hydro and Power Authority on an upgrade power entitlement from the B.C. Hydro system and the Venturers in turn reaching agreement with Cominco for the purchase of that entitlement, and
- power sales arrangements

(iv) Thermal Power Project

The Purcell Power Project was a proposal to install a \$50 million 15 MW cogeneration facility at the Crestbrook Forest Industries pulp mill at Skookumchuck, B.C. The project would burn waste from sawmills in the Kootenays to produce electricity for sale to BC Hydro and steam for sale to the pulp mill. The project was developed by Stothert Power Corp., and was to be constructed and operated by a joint venture called Purcell Power Company formed by Stothert Power Corp., Columbia Power Corp. and CBT Thermal Energy Corp.

In July 1998, definitive agreements were signed with Stothert Power Corp., Crestbrook Forest Industries (purchased by Tembec Inc. in April 1999) and Stothert Engineering Ltd. The project was to proceed once satisfactory non-recourse financing was obtained. When financing was not obtained by July 31, 1999, the agreements for the construction and operation of the project by Purcell Power Company expired. The project was abandoned and project costs expensed, except for a receivable for \$192,008 from Stothert Power Corp. to recover costs incurred on the project. The receivable represents management's estimate of the amount that is expected to be recovered. This matter presently remains unsettled.

(b) **Deferred Debt Issue Costs**

The following is the Trust's 50 % share of debt issue costs incurred by the Columbia Basin Power Company in issuing long-term, non-recourse debt:

	March 31, 2000	March 31, 1999
Deferred debt issue costs	\$ 543,604	\$ 543,604
Accumulated amortization	(69,460)	(51,340)
	<u>\$ 474,144</u>	<u>\$ 492,264</u>

(c) **Trust Office Assets**

	Cost	Accumulated Amortization	March 31, 2000	March 31, 1999
Computer equipment	\$ 266,965	\$ (186,067)	\$ 80,898	\$ 46,146
Computer software	84,691	(27,200)	57,491	-
Office furniture and equipment	128,782	(80,544)	48,238	62,768
Leasehold improvements	<u>122,237</u>	<u>(59,756)</u>	<u>62,481</u>	<u>76,794</u>
	<u>\$ 602,675</u>	<u>\$ (353,567)</u>	<u>\$ 249,108</u>	<u>\$ 185,708</u>

8. **REAL ESTATE PROJECTS**

The Trust's interests in real estate projects are as follows:

	March 31, 2000	March 31, 1999
Castlegar building	\$ 158,543	\$ -
Brilliant school	<u>263,779</u>	<u>175,419</u>
	<u>\$ 422,322</u>	<u>\$ 175,419</u>

The Trust advanced \$422,322 to CBT Real Estate Development Corp. for the purposes of investing in the Brilliant School property and the development of a commercial office building in Castlegar, B.C. The Castlegar project will be a three storey office building with in excess of 21,000 square feet of leaseable area. Two-thirds of this space was leased prior to construction. Tendering was completed in the spring of 2000 and construction commenced in early June. This project is expected to be completed in the late fall of 2000 and the building available for occupancy before the end of the calendar year of 2000.

9. **ADVANCE FROM COLUMBIA POWER CORPORATION
& COMMITMENT RECEIVABLE FROM PROVINCE OF B.C.**

Under the terms of the Power Project Planning Agreement, the Columbia Basin Power Company Joint Venture Agreement, the Arrow Lakes Power Company Joint Venture Agreement and the Columbia Thermal Power Company Joint Venture Agreement, Columbia Power Corporation (CPC) is required to make interest free advances to the joint ventures on behalf of the following Trust subsidiaries in order to fund their share of joint venture cash requirements: CBT Power Corp. (CBT Power), CBT Arrow Lakes Power Development Corp. (CBT Arrow Lakes) and CBT Thermal Energy Corp. (CBT Thermal). CPC is required to advance these funds only to the extent they have trustee funds available. Such advances are secured by the Trust's commitment to use its future power project contributions from the Province of B.C. to repay any advances owed to CPC by CBT Power, CBT Arrow Lakes and CBT Thermal. Further, CBT Power, CBT Arrow Lakes and CBT Thermal pledge their interest in joint venture assets to CPC while advances are owed by them to CPC.

The commitment receivable from the Province reflects power project capital costs incurred by CBT Power, CBT Arrow Lakes and CBT Thermal. These costs were financed by CPC's advances to these Trust subsidiaries and are recoverable from the Province on or after April 1, 2001 under the terms of the Agreement of July 25, 1995 between the Province and the Trust.

10. **BRITISH COLUMBIA CORPORATION CAPITAL TAX**

The Trust is subject to B.C. Corporation Capital Tax and accordingly has provided for this obligation.

	March 31, 2000	March 31, 1999
<u>Tax attributable to:</u>		
Non-Power Investment Capital	\$ 155,486	\$ 160,192
Power Investment Capital		
- Power project investment	233,852	219,210
- Power sales contract	34,128	34,128
- Deferred power project costs	<u>103,902</u>	<u>90,315</u>
B.C. Corporation Capital Tax Expense	527,368	503,845
Tax paid during the year	<u>(443,308)</u>	<u>(410,778)</u>
B.C. Corporation Capital Tax Payable	<u>\$ 84,060</u>	<u>\$ 93,067</u>

11. **NON-RECOURSE DEBT OF JOINT VENTURE**

All joint venture debt is issued on a non-recourse basis. The security provided by a joint venture is limited to the rights and assets of the individual joint venture and does not extend to the rights and assets of the Trust, except to the extent of the Trust's investment in that joint venture.

The following is the Trust's 50 % share of non-recourse debt issued by Columbia Basin Power Company (CBPC).

	March 31, 2000	March 31, 1999
Principal outstanding at April 1, 1999 (and at April 1, 1998)	\$ 47,184,593	\$ 47,577,326
Repayment of principal during the year	<u>(428,587)</u>	<u>(392,733)</u>
Total non-recourse debt of joint venture	46,756,006	47,184,593
Non-recourse debt of joint venture due within one year	<u>(467,715)</u>	<u>(428,586)</u>
Long-term portion of non-recourse debt of joint venture	<u>\$ 46,288,291</u>	<u>\$ 46,756,007</u>

The Series A Brilliant Project Bonds (the Bonds) are repayable in equal semi-annual payments of principal and interest amortized over 30 years to May 31, 2026. Interest is calculated semi-annually at a rate of 8.93 % which is an effective annual interest rate of 9.13 %.

The Bonds are secured on a limited recourse basis by charges against the Brilliant Dam assets including related material contracts, licenses, permits, approvals, authorizations and insurance coverages. The agreements with the Bondholders include requirements for a debt service reserve fund, an operating reserve account commitment and a sustaining capital expenditure commitment. Further, cash distributions to the Venturers by CBPC are restricted to cash available after a series of payment priority conditions have been assessed. The payment priority conditions include provisions for operating and maintenance expenses, capital maintenance expenditures and debt repayments.

The Bonds are redeemable by CBPC in whole or in part at any time before May 31, 2026 at a price equal to the greater of the principal amount then outstanding or a price calculated to provide a yield to maturity based on the current yield of a matching duration Government of Canada bond plus 0.30 %.

12. POWER SALES RIGHT

Enron Power Marketing Inc. (EPMI) purchased from Alcan Aluminum Limited the right and obligation to sell B.C. Hydro and Power Authority 167 average megawatts annually at predetermined prices from January 1, 1998 to December 31, 2014. The Trust and Columbia Power Corporation (CPC) subsequently paid EPMI \$22,752,000 (the Trust's share is \$ 11,376,000) for the right and obligation to provide up to 86 average megawatts of this BC Hydro contract from January 1, 2003 to December 31, 2014.

The Trust and CPC intend to fulfill their power delivery obligation by way of the Keenleyside Powerplant Project power entitlement from the B.C. Hydro system. The power sales revenue attributable to the right are projected to recover the cost of the right and the cost of constructing the Keenleyside Powerplant Project.

13. NON-RECOURSE CREDIT FACILITY OF JOINT VENTURE

Consistent with its agreements with its Bondholders, Columbia Basin Power Company (CBPC) has established a \$ 10 million credit facility. The facility shares the same security as the Bondholders and can be accessed by way of loans, bankers acceptances, letters of credit and for purposes of interest rate swaps. Proceeds from the facility can be used for capital or operating expenditures.

14. COMMITMENTS

(a) Columbia Basin Power Company

(i) Debt Service Reserve Fund

Under its agreements with its Bondholders, CBPC committed to establish and maintain over the term of the Bonds (30 years to May 31, 2026) a debt service reserve fund of \$ 4,633,288 (the Trust's share is \$2,316,644) equal to one semi-annual payment on the Bonds. Use of the fund is restricted to debt service payments. The fund is held by a Trustee and is part of the Bondholders' security. Fund income is paid to CBPC.

(ii) Operating Reserve Account

Under its agreements with its Bondholders, CBPC has committed to establish over a four year period ending in the 2001 fiscal year an operating reserve account in an amount equal to one-quarter of annual operating expenses.

This account was established in fiscal 1998 with an initial investment of \$ 403,000 out of CBPC's available cash flow (the Trust's share is \$ 201,500). Subsequently, an additional \$1,001,000 (the Trust's share is \$505,500) was deposited to the account out of available cash flow. CBPC estimates that its operating reserve account investment will ultimately total approximately \$ 2.0 million (the Trust's share will be \$ 1.0 million).

Use of the account will be restricted to paying operating and maintenance expenses in the event that CBPC has no other funds readily available to it when it is required to pay such expenses. These funds are to be held by CBPC in a segregated account and will not be available as security for any loans or other indebtedness.

(iii) Capital Maintenance Expenditures

Under its agreements with its Bondholders, CBPC has committed to keep the Brilliant dam in good operating condition and to effect all necessary repairs and replacements consistent with good industry practice. Capital maintenance expenditures are expected to average \$ 10.3 million annually over the next five years (the Trust's share is \$ 5.15 million) and \$ 0.4 million annually thereafter (the Trust's share is \$ 0.2 million).

(b) Trust Office

The Trust has entered into an operating lease agreement for its office space for terms expiring at various dates to April 30, 2018. The initial term expires January 31, 2003 and can be terminated by the Trust on 60 days notice. Minimum annual payments are \$ 28,000 per year for the next three years.

15. CONTINGENCIES

(a) Power Project Planning Joint Venture (PPPJV), Arrow Lakes Power Company Joint Venture (ALPC)

The Trust's power project investment activities are affected by federal, provincial and local government laws or regulations. Under current regulations, the Venturers are required to meet performance standards to minimize or mitigate negative impacts of their proposed projects. The impact, if any, of future legislative or regulatory requirements on specific projects and their related deferred costs cannot currently be estimated.

The ongoing operations of PPPJV and ALPC are dependent on the funding arrangements detailed in the Agreement of July 27, 1995 between the Province and the Trust. The Agreement states that all of the Province's payments to the Trust and Columbia Power Corporation are subject to the appropriation of sufficient funds in applicable Provincial Budgets.

(b) Columbia Basin Power Company

The Trust's power project investment activities are affected by federal, provincial and local government laws or regulations. Under its agreements with its Bondholders, CBPC has agreed to comply or cause compliance in all material respects with such laws and regulations as well as to maintain all material franchises. The financial impact, if any, of complying with future legislative or regulatory requirements cannot currently be estimated.

16. RESTRICTIONS ON NET ASSETS

(a) Restricted To Power Project Investment

Power project investment capital is restricted to reflect the Province's condition that its power project financing contributions are to be used initially to finance the equity requirements of power projects.

(b) Restricted To Non-Power Investment

Non-power investment capital is restricted to reflect the Province's condition that its regional benefit program contribution be used to finance investment activities and the Columbia Basin Management Plan's requirement that this capital be restricted to non-power investments.

(c) Restricted To Spending Program

Net investment income and certain other distributions from the Investment Program are restricted to future Spending Program activities. In addition, operating surpluses have been set aside for the Spending Program by the Trust's Board of Directors. Under the Columbia Basin Management Plan, distributions from the Investment Program are made after minimum reinvestments have been made to maintain the value of the Trust's endowment capital.

(d) Minimum Reinvestment To Maintain Endowment Capital

Endowment capital includes both power project and non-power investment capital. Under the Columbia Basin Management Plan, minimum reinvestment amounts to maintain the Trust's endowment capital will form part of the non-power investment capital pool.

The Trust's power project investments are structured to repay the financial capital invested along with a return on that capital while it is invested. The structured return over a period of 30-60 years of the Trust's financial capital invested in power projects is an effective hedge against a long-term loss of value due to inflation given that at the end of the repayment period the Trust continues to hold an interest in the power projects. The Trust will reinvest those portions of power project cash distributions received in the future that represent a return of the financial capital invested based on the investment structure associated with each of the power projects.

A portion of the Trust's non-power investments are presently invested in monetary assets. Monetary assets are impacted by inflation. The Trust has determined that a \$ 797,567 (fiscal 1999 \$ 784,235) minimum reinvestment of net investment income is required to maintain the value of its non-power investment capital. This figure was calculated using the 1999 Canadian Consumer Price Index of 1.7 % (1998 Index of 1.7 %).

17. RELATED PARTY TRANSACTIONS

(a) Trust Directors' and Advisory Committee Members' Remuneration

Section 11 of the Columbia Basin Trust Act provides for the Trust's Directors to be compensated for their work at rates which do not exceed a rate determined by the Minister of Agriculture and Food, after having considered the rates paid to the Directors of comparable government corporations. Where Directors are members of the Province's Legislative Assembly or are public servants or receive remuneration from any other source for acting as a Director of the Trust, they receive no compensation from the Trust. The remuneration rates approved by the Trust's Board of Directors are as follows:

(i) Chair

Annual amount of \$ 4,000 plus \$ 250 per day, or portion of a day, spent attending or travelling to meetings.

(ii) Other Directors

Annual amount of \$ 3,000 plus \$ 175 per day, or portion of a day, spent attending or travelling to meetings.

(iii) Advisory Committee Members

Members receive \$ 175 per day, or portion of a day, spent attending or travelling to meetings.

(iv) Trust Business

The Trust's Chair and Vice-Chair are paid \$ 200 per day, or portion of a day, spent conducting or travelling on Trust business when such days do not coincide with Board meetings.

(b) Columbia Basin Power Company Joint Venture (CBPCJV)

(i) Payments to Columbia Power Corporation (CPC)

During the year, CPC charged CBPCJV \$ 548,241 (fiscal 1999 - \$ 305,595) for its management services. The amount includes staff compensation, office space and general overhead costs which were billed to CBPC on a cost recovery basis.

CPC as the Manager of the joint venture's operations also charged a management fee of \$ 114,309 (fiscal 1999 - \$ 48,342) based on a reasonable allocation to CBPCJV of its corporate overhead.

(ii) Payments to CBT Power Corp. (CBT Power)

During the year, CBT Power charged CBPCJV, on a cost recovery basis, \$ 18,957 (fiscal 1999 - \$18,276) attributable to the operations of the Brilliant power project.

(c) Power Project Planning Joint Venture (PPPJV)

(i) Payments to Columbia Power Corporation (CPC)

During the year, CPC charged PPPJV \$ 840,718 (fiscal 1999 - \$ 338,497) for its management services. The amount includes staff compensation, office space and general overhead costs which

were billed to PPPJV on a cost recovery basis.

CPC as Manager of the joint venture's operations also charged a management fee of \$ 192,509 (fiscal 1999 - \$ 61,207) based on a reasonable allocation to PPPJV of its corporate overhead.

(ii) **Payments to CBT Power Corp. (CBT Power)**

During the year, CBT Power charged PPPJV, on a cost recovery basis, \$ 276,453 (fiscal 1999 - \$213,671) for professional services, staff time and overhead directly related to PPPJV activities. Included in these charges were \$ 173,605 (fiscal 1999 - \$150,533) of professional services requested by Columbia Power Corporation from power industry consultants already retained by CBT Power and the Trust.

(d) **Arrow Lakes Power Company Joint Venture (ALPCJV)**

(i) **Payments to Columbia Power Corporation (CPC)**

During the year, CPC charged ALPCJV \$ 1,186,736 (fiscal 1999 - \$1,436,343) for its management services. The amount includes staff compensation, office space and general overhead costs which were billed to ALPCJV on a cost recovery basis. CPC as Manager of the joint venture's operations also charged a management fee of \$ 244,142 (fiscal 1999 - \$236,803) based on a reasonable allocation to ALPCJV of its corporate overhead.

(ii) **Payments to CBT Arrow Lakes Power Development Corp. (CBT Arrow Lakes)**

During the year, CBT Arrow Lakes charged ALPCJV, on a cost recovery basis, \$ 10,605 (fiscal 1999 - \$34,355) for professional services, staff time and overhead directly related to ALPCJV activities. Included in these charges were \$ 10,250 (fiscal 1999 - \$32,925) of professional services requested by Columbia Power Corporation from power industry consultants already retained by CBT Power and the Trust.

(iii) **Payments to British Columbia Hydro and Power Authority (BC Hydro)**

During the year, BC Hydro, a Crown Corporation of the Province, provided \$ 609,887 (fiscal 1999 - \$736,279) in project consulting services under the BC Hydro Contract Services Agreement, which were billed at market rates.

(e) **Columbia Thermal Power Company Joint Venture (CTPCJV)**

(i) **Payments to Columbia Power Corporation (CPC)**

During the year, CPC charged CTPCJV \$ 17,883 (fiscal 1999 - \$8,444) for its management services. The amount includes staff compensation, office space and general overhead costs which were billed to CTPCJV on a cost recovery basis. CPC as Manager of the joint venture's operations also charged a management fee of \$ 3,314 (fiscal 1999 - \$1,344) based on a reasonable allocation to CTPCJV of its corporate overhead.

18. FINANCIAL INSTRUMENTS

Assets and liabilities, which are recorded at contractual amounts that approximate market or fair value include cash and cash equivalents, securities, receivables, certain other assets and payables. The market value of such items are not materially sensitive to shifts in market interest rates because of the limited term to maturity of these instruments. The Trust's remaining financial assets and liabilities are carried at amounts that approximate their fair value. The Trust is not exposed to any significant credit risks that would have a material adverse effect on the consolidated financial position or results of operations.

19. PROGRAM DISBURSEMENTS

(a) Investment Program Development Costs

The investigation and analysis of the proposed Purcell Power Project that was conducted over the past two years involved a number of studies and consultants' reports that were necessary before a decision could have been made to proceed with the project. In fiscal 2000 the project was abandoned and the project costs expensed:

Investigation of thermal power project	\$ 648,260
Non-power investment development costs	<u>111</u>
	<u>\$ 648,371</u>

(b) Spending Program Disbursements

The delivery of the Trust's Spending Program continued in fiscal 2000 with the following disbursements made to delivery partners in the year:

	March 31, 2000	March 31, 1999
RDEK - Local government initiative	\$ 498,979	\$ -
RDCK - Local government initiative	460,211	3,000
The Land Conservancy	350,000	-
City of Revelstoke - Local government initiative	293,260	-
Affordable housing	226,650	25,000
Columbia Kootenay Cultural Alliance	177,120	-
Town of Golden - Local government initiative	152,542	-
Community economic development	150,270	124,000
Village of Valemount - Local government initiative	144,443	-
Fisheries strategy implementation	120,000	-
RDKB - Local government initiative	94,454	-
Living landscapes	94,558	71,525
Youth links	77,996	-
Ktunaxa Kinbasket Tribal Council	50,000	-
KKTC - Local government initiative	46,100	-
Arrow & Slocan Lakes Community Enterprises	30,000	-
Cultural programming	28,900	144,350
Kootenay Association for Science and Technology	28,750	283,750
CFDC - Revelstoke	20,000	-
Creston area economic development	20,000	-
Kootenay Region Metis Association	20,000	-
RDEK - Local government initiative	20,000	-
West Kootenay Enterprise Development Society	20,000	-
BioQuest International	12,000	-
Gold Island Consulting	10,000	-
Barter, Stacey	9,625	-
Fisheries strategy development	8,000	-

	March 31, 2000	March 31, 1999
Pearce, Cindy	3,290	-
Water management	3,251	-
Dispute resolution	3,107	-
Columbia Basin Fish and Wildlife Compensation Program	-	629,370
Local Government Initiatives	-	75,530
Slocan Senior's Housing	-	30,000
Value Added Wood Forum	-	25,000
Golden Birds and Bears Festival	-	8,750
Wings Over the Rockies '98 Festival	-	6,250
Other Minor Programs	-	6,300
	<u>\$ 3,173,506</u>	<u>\$ 1,432,825</u>

Further commitments were made to several of the Trust's delivery partners at the end of the year. They included:

	March 31, 2000	March 31, 1999
Arrow & Slocan Lakes Community Enterprises	\$ 257,000	\$ -
Ktunaxa Kinbasket Tribal Council	50,000	-
Living Landscapes	30,282	78,475
Fisheries strategy implementation	30,000	-
Columbia Kootenay Cultural Alliance	22,880	-
CFDC - Revelstoke	20,000	-
Community Economic Development	40,000	106,000
Kootenay Region Metis Association	20,000	-
RDEK - Local government initiative	20,000	-
Water management	17,749	-
Tourism Rockies Association	15,000	-
Gold Island Consulting	15,000	-
Affordable Housing Program	8,350	215,000
Pearce, Cindy	6,710	-
BioQuest International	5,530	-
Revelstoke Chamber of Commerce	3,300	-
Youth links	1,908	-
West Kootenay Regional Arts Council	-	28,900
Kootenay Association of Science and Technology	-	28,750
Slocan Seniors' Housing	-	20,000
	<u>\$ 563,709</u>	<u>\$ 477,125</u>

20. SUBSEQUENT EVENTS

Columbia Power Corporation (CPC) holds hydroelectric power expansion rights for the Waneta and Brilliant dams in the Columbia Basin Region. On April 1, 2000, 50% of these rights were sold by CPC to the Trust for \$25,925,000. These rights were dedicated by both parties to the Power Project Planning Joint Venture.

In May, 2000, the tender for the construction of the Castlegar office project was awarded to Vic Van Isle Construction Ltd. of Revelstoke, B.C. Site preparation work for the building commenced in early June, 2000.

21. COMPARATIVE FIGURES

Certain 2000 comparative figures have been reclassified to conform with the current year's presentation.

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VIDEOS

- (1) COLUMBIA TREATY
HISTORY Shows the effects
of dam construction on the
communities of the Basin
- (2) FROM TREATY TO TRUST
Describes the formation
of the Trust

